



Los Angeles County Assessor
JEFF PRANG



SPECIAL BULLETIN

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Email: pio@assessor.lacounty.gov

CONTACT: Steve Whitmore

Office: 213.974.3101

Mobile: 213.407.0650

ASSESSOR CLARIFIES REBUILDING CONFUSION

Building A Structure Larger Than The Damaged/Destroyed Property Will Be Assessed & Taxed

LOS ANGELES, CA - Los Angeles County Assessor Jeff Prang has issued an advisory to clarify a point of confusion for property owners impacted by the recent fires regarding construction allowances that permit the rebuilding of a larger structure.

Assessor Prang emphasized that city and county programs that allow property owners to rebuild to 110% do not exempt the additional square footage from property assessment and the accompanying property taxes.

The city and county programs that allows a structure to be rebuilt to 110% are intended to expedite the permitting process. However, current property tax relief laws do not exempt that additional size from assessment.

Governor Gavin Newsom issued an Executive Order that suspended the standard review process provided for under the *California Environmental Quality Act* (CEQA) and the *California Coastal Act* with respect to property damaged or lost due to the recent fires. To qualify for expedited review, a reconstruction project must not be larger than **110 percent** of the size (footprint and height) of the property that existed before the fires.

Similarly, Mayor Karen Bass issued an Emergency Executive Order that directed City departments to expedite the approval processes. This includes fast-tracking permits for rebuilding in the same locations as the structures that were lost. To qualify, a reconstruction project must not be larger than **110 percent** of the size, height, and purpose as before the fire.

For the Assessor's Office, when a property is damaged or destroyed by a disaster, it may qualify for a lower property assessment under a program called "Misfortune and Calamity" which in turn will reduce property taxes to reflect the damage. This lower tax value will remain in place until the rebuilding process begins. Once the replacement structure is built to the substantially equivalent of the damaged or destroyed property, the property's original tax base will be restored. It is important to remember, however, that base year values suspended by Misfortune & Calamity reassessment values continue to increase by an annual inflation factor of no more than two percent per year.

If a property owner uses the rebuilding process as an opportunity to build beyond the substantial equivalent of the original property, those additions will be assessed at market value and will be added to the reinstated original tax base.

Prang continued, "This issue is confused even further due to another property tax relief provision (CA Rev & Tax Code § 70.5) which references rebuilding to 120% of full cash value of a property. This 120% does not refer to the size of the structure, but rather, the value of the rebuilt property compared to the property's pre-damaged value. If the value of the rebuilt property is within **120%** of the property's pre-damage value, it will not be re-assessed, and property taxes will not go up. However, due to the age of many of the affected homes, rising property values, delays and rising costs of construction, it is anticipated that many homeowners will not qualify to keep their pre-damage tax base under this standard.

Los Angeles County Assessor Jeff Prang leads the largest local public property assessment agency in the nation. His office of about 1,400 appraisers and support staff are dedicated to creating an accurate and timely property Assessment Roll. This year, the Los Angeles County Assessor's Office conducted more than 2.5 million real estate and business assessments valued at more than \$2 trillion.

Our mailing address is:

Los Angeles County Office of the Assessor

500 W. Temple St

Room 320

Los Angeles, California 90012

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